

Message Text

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ACTION ABF-01

INFO OCT-01 EA-07 ISO-00 FS-01 FRB-03 TRSY-02 OPR-02

DODE-00 L-03 /020 W

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R 120941Z SEP 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 7510

INFO CINCPACREPPHIL SUBIC BAY

13TH AIR FORCE BASE CLARK

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E.O. 11652: N/A

TAGS: EFIN, RP

SUBJECT: PESO-DOLLAR EXHCANGE RATES AT U.S. BASES

CINCPACREPPHIL FOR ACS LOGISTICS CAPT PHLAGER

13TH AF FOR ACT. COMPEROLLER COL. MOWRY

1. PURPOSE OF THIS MESSAGE IS TO ADVISE OF RECENT ISSUE
RAISED BY CENTRAL BANK (CB) OVER RATE AT WHICH MILITARY
BANKING FACILITIES BUY DOLLARS FROM INDIVIDUALS.

2. BACKGROUND: FOR PURPOSES OF ESGABLISHING UNFORM RATE
AT MILITARY BANKING FACILITIES (MBFS) FOR BUYING AND SELLING
DOLLARS, THE EMBASSY PROVIDES MILITARY AUTHORITIES ON DAILY
BASES THE PREVAILING MANILA INTERBANK RATE (IBR).
THIS PROVIDES BASIS FOR EMBASSY ACCOMMODATION EXCHANGE
RATE (EAER) FOR DOLLAR BUYING, BASED ON GUIDELINE OF PRO-
VIDING FOR INCOME FACTOR OF .0075. ALL MBFS HAVE BEEN
USING THIS RATE, INCLUDING AMEXCO TREASURY FACILITY AT
SUBIC, FNCB BRANCH AT CLARK, AND PRUDENTIAL BRANCHES AT
CLARK AND SUBIC.

3. CENTRAL BANK HAS RECENTLY NOTED THAT THIS SYSTEM
RESULTS IN PRUDENTIAL BRANCHES UNDERSELLING OFF-BASE BRANCHES
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OF PHILIPPINE COMMERCIAL BANKS. ON RECENT REPRESENTATIVE

DAY, OFF-BASE BANKS WERE SELLING PESOS AT 7.35 RATE, WHILE BASE BANKS WERE SELLING AT 7.44. CENTRAL BANK CIRCULAR PROVIDES THAT QUOTE THE MINIMUM BUYING RATE FOR U.S. DOLLARS WHETHER IN THE FORM OF CHECKS, TRAVELLERS CHECKS, NOTES AND COINS SHALL REMAIN AT 2 PERCENT BELOW THE INTERBANK GUIDING RATE. . . UNQUOTE

4. APPARENT CONFLICT BETWEEN CB REGULATIONS AND INSTRUCTIONS FROM MILITARY AUTHORITIES GAVE RISE TO MEETING AT CB INVOLVING REPRESENTATIVES OF PRUDENTIAL AND CLARK BRANCH OF FNCB. AMEXCO DID NOT ATTEND. EMBASSY NOT OFFICIALLY INFORMED OF MEETING. UPSHOT OF MEETING, ACCORDING TO PRUDENTIAL SOURCE, WAS TO NOTE LANGUAGE OF CIRCULAR, WHICH REFERS TO QUOTE MINIMUM UNQUOTE BUYING RATE, LEADING TO CONCLUSION THAT THERE WAS NO REASON OFF-BASE BANKS COULD NOT OFFER SAME RATE FOR DOLLARS AS MBFS. NO CHANGE IN PRESENT SYSTEM CAME OUT OF MEETING. CB AUTHORITIES MAY HAVE BEEN GUIDED IN REACHING THIS CONCLUSION BY EARLIER DISCUSSION BETWEEN ECON/COMMERCIAL COUNSELOR AND UNDERSECRETARY FOR FINANCE PIO DE RODA, WHERE IT WAS AGREED THAT PRESENT ARRANGMENT WORKING SATISFACTORILY AND APPARENTLY TO BENEFIT OF ALL CONCERNED.

5. WE ARE GLAD TO AVOID, AT LEAST FOR PRESENT, CONFRONTATION WITH CB ON ISSUE. IF PRESSED, PRUDENTIAL WOULD HAVE HAD TO ABIDE BY CB GUIDANCE, CREATING AN UNTENABLE SITUATION OF TWO EXCHANGE RATES ON BASES AND CONSEQUENT DIFFICULTIES WITH MAINTAINING EAER. SULLIVAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY BASES, FOREIGN EXCHANGE RATES, PESO, BANKS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MANILA12940
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750316-0730
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750958/aaaabzdx.tel
Line Count: 89
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ABF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUL 2003 by CunninFX>; APPROVED <20 NOV 2003 by izenbei0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PESO-DOLLAR EXHCANGE RATES AT U.S. BASES CINCPACREPPHIL FOR ACS LOGISTICS CAPT PHLAGER
TAGS: EFIN, RP, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006